

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

DIAMOND GRADING
TECHNOLOGIES LLC

Plaintiff,

v.

GEMOLOGICAL INSTITUTE OF
AMERICA INC.

Defendant.

§
§
§
§
§
§
§
§
§
§
§

CIVIL ACTION NO. 2:14-cv-1162
JURY TRIAL DEMANDED

PLAINTIFF’S ORIGINAL COMPLAINT FOR PATENT INFRINGEMENT

Plaintiff Diamond Grading Technologies LLC (“Diamond Grading” or “Plaintiff”) files this Original Complaint against Gemological Institute of America Inc. (“GIA” or “Defendant”) for the infringement of U.S. Patent No. RE44,963 (“the ‘RE963 Patent”).

THE PARTIES

1. Diamond Grading Technologies LLC is a Texas limited liability company with its principal place of business at 2400 Dallas Parkway, Suite 200, Plano TX 75093.
2. GIA is a California corporation headquartered at 5345 Armada Drive, Carlsbad, CA 92008. GIA conducts business in the State of Texas and within the Eastern District of Texas. GIA does not maintain registered agent for service of process in Texas or a regular place of business in Texas, and this lawsuit arises in whole or in part from its business in Texas. GIA’s agent for service is the Texas Secretary of State under the Texas Long Arm Statute.

JURISDICTION AND VENUE

3. Diamond Grading brings this action for patent infringement under the patent laws of the United States, namely 35 U.S.C. §§ 271, 281, and 284-85, among others. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 1331, 1338(a), and 1367.

4. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1391(c) and 1400(b). On information and belief, GIA is deemed to reside in this judicial district, has committed acts of infringement in this judicial district, has purposely transacted business involving its accused products in this judicial district and/or, has regular and established places of business in this judicial district.

5. GIA is subject to this Court's specific and general personal jurisdiction pursuant to due process and/or the Texas Long Arm Statute, due at least to its substantial business in this State and judicial district, including: (A) at least part of its past infringing activities alleged herein; and (B) regularly doing or soliciting business, engaging in other persistent conduct, and/or deriving substantial revenue from goods sold and services provided to Texas residents.

PATENT INFRINGEMENT

6. The value of a diamond depends on the quality of four main variables: color, clarity, carat weight and cut. Of these, cut is one of the most important and, historically, one of the least understood.

7. On October 12, 1999, the United States Patent and Trademark Office ("USPTO") issued U.S. Patent No. 5,966,673 ("the '673 Patent"), entitled "System and Method for Computerized Evaluation of Gemstones" after full and fair examination. The '673 Patent relates generally to a system and method for computerized grading of the cut of a gemstone.

8. On June 24, 2014, the USPTO reissued the '673 Patent as the 'RE963. A true and correct copy of the 'RE963 Patent is attached as Exhibit A.

9. Paul T. Shannon, Sr. ("Shannon") invented the technology described and claimed in the '673 Patent and the 'RE963 Patent. Shannon assigned both patents to Diamond Technologies, Inc. Plaintiff Diamond Grading has been granted an exclusive license of the '673 Patent, including a license to any reissues of the '673 Patent that includes the 'RE963 Patent from Diamond Technologies, Inc. With ownership of all substantial rights in the 'RE963 Patent, Diamond Grading has the right to exclude others and to enforce, sue and to recover all damages available under law, including past and future damages. Diamond Grading also has the right to seek injunctive relief to prevent further infringement of the 'RE963 Patent.

10. On January 10, 1997, Shannon filed U.S. Patent Application 08/782,889, which would ultimately be issued as the '673 Patent and then reissued as the 'RE963 Patent. Approximately one year later, at a gem and mineral show in Tucson, Arizona, Shannon met with the leaders of the GIA research staff, including Dr. Ilene Renitz and Dr. James Shigley, concerning his pending patent application and his methods for evaluating the cut of a gemstone. The GIA was well aware of the '673 Patent after it issued.

11. Among its activities, GIA has developed its Diamond Cut Grading System that uses advances in computer modeling to assess, and predict, the cut quality in round brilliant cut diamonds. GIA has also developed software that provides a method of estimating a cut grade, and a database that is embedded into a number of leading diamond measuring devices so that the grading of a diamond's cut can be automated. As a result, manufacturers can plan and, in effect, predict cut grades, diamond buyers can compare cut qualities, and retailers can communicate the

effects of cut on round brilliant diamonds. GIA charges a range of fees, between \$53 and \$2,845, for evaluating diamonds, including grading the cut of stones.

COUNT I
(INFRINGEMENT OF U.S. PATENT NO. RE44,963)

12. Diamond Grading realleges the preceding paragraphs, which are incorporated herein by reference.

13. Diamond Grading is the exclusive licensee of the 'RE963 Patent with ownership of all substantial rights in the 'RE963 Patent, including the right to grant sublicenses, exclude others and to enforce, sue and recover damages for past infringements.

14. The 'RE963 Patent is valid, enforceable against past infringements, and was duly issued in full compliance with Title 35 of the United States Code.

15. GIA has directly infringed one or more claims of the 'RE963 Patent in this judicial district and elsewhere in Texas, including for example (but not limited to) at least Claims 1, 14, 16, 32, 34, 55, 76, 79, 80, 82, 83, 85, 94, 98, 114, and 120, either literally or under the doctrine of equivalents, without the consent or authorization of Diamond Grading, by making, using, selling, and/or offering to sell in the United States the infringing GIA Diamond Cut Grading System, Facetware software, and gemstone cut database that is embedded in various devices, all of which are used to evaluate the cut of gemstones. GIA actively induces others to infringe the 'RE963 Patent and/or contributes to infringement by others through its GIA Diamond Cut Grading System, Facetware software, and gemstone cut database that is embedded in various devices used to measure cut grades. GIA offers educational courses and labs at which students use the GIA Diamond Cut Grading System, Facetware, and the gemstone cut database in a manner that infringes the 'RE963 Patent. GIA further offers Facetware and the gemstone cut database to third-parties who use these resources to infringe the patent by evaluating the cuts of gemstones. There

are no substantial uses of the GIA Diamond Cut Grading System, Facetware, and gemstone cut database that do not infringe the 'RE963 Patent.

16. On information and belief, to the extent any marking was required by 35 U.S.C. § 287, Diamond Grading and all predecessors in interest to the 'RE963 patent complied with any such requirements.

17. GIA has had actual knowledge of the 'RE963 Patent since at least the date on which it was served with a copy of this Complaint.

18. Diamond Grading has been damaged as a result of GIA's infringing activities as set out generally above. GIA is, thus, liable to Diamond Grading in an amount that adequately compensates it for GIA's infringements, which, by law, cannot be less than a reasonable royalty, together with interest and costs as fixed by this Court under 35 U.S.C. § 284.

MISCELLANEOUS

19. Diamond Grading has satisfied all conditions precedent to filing this action, or any such conditions that have not been satisfied have been waived.

20. Through this pleading, Diamond Grading has not elected any one remedy to which it may be entitled, separately or collectively, over any other remedy.

JURY DEMAND

Diamond Grading hereby requests a trial by jury pursuant to Rule 38 of the Federal Rules of Civil Procedure.

PRAYER FOR RELIEF

Diamond Grading requests that the Court find in its favor and against GIA, and that the Court grant Diamond Grading the following relief:

- a. That the Court issue a preliminary injunction against GIA enjoining it from making, using, selling, or offering for sale in the United States any products, and from

undertaking any processes or methods embodying the patented inventions claimed in the 'RE963 Patent during the pendency of this case.

- b. That the Court issue a permanent injunction against GIA enjoining it from making, using, selling, or offering for sale in the United States any products, and from undertaking any processes or methods embodying the patented inventions or designs claimed in the 'RE963 Patent.
- c. Judgment that one or more claims of the 'RE963 Patent has been infringed, either literally and/or under the doctrine of equivalents, by Defendant;
- d. Judgment that Defendant account for and pay to Diamond Grading all damages to and costs incurred by Diamond Grading because of Defendant's infringing activities and other conduct complained of herein;
- e. That Diamond Grading be granted pre-judgment and post-judgment interest on the damages caused by Defendant's infringing activities and other conduct complained of herein;
- f. That the Court find that Defendant has willfully infringed the 'RE963 Patent;
- g. That the Court award to Diamond Grading enhanced damages of up to three times the amount of its actual damages;
- h. That the Court award pre-judgment and post-judgment interest on such damages at the highest rates allowed by law;
- i. That Diamond Grading be granted such other and further relief as the Court may deem just, and proper under the circumstances.

Respectfully submitted,

By: /s/ Steven N. Williams

Steven N. Williams

swilliams@mcdolewilliams.com

Texas Bar No. 21577625

Kenneth P. Kula

kkula@mcdolewilliams.com

Texas Bar No. 24004749

William Z. Duffy

zduffy@mcdolewilliams.com

Texas Bar No. 24059697

McDOLE WILLIAMS

A PROFESSIONAL CORPORATION

1700 Pacific Avenue, Suite 2750

Dallas, Texas 75201

(214) 979-1122 - Telephone

(214) 979-1123 – Facsimile

ATTORNEYS FOR PLAINTIFFS

DIAMOND GRADING TECHNOLOGIES LLC